

**FRANCHISE TAX BOARD
MINUTES
DECEMBER 18, 2000**

The Franchise Tax Board met in open session at 1:00 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Kathleen Connell, Hon. Dean Andal, and Annette Porini representing Hon. B. Timothy Gage.

Franchise Tax Board

Staff Participating: Gerald H. Goldberg, Brian W. Toman, Benjamin F. Miller, Donald L. Buxton, Titus Toyama, Brian Putler, Debbie Newcomb, Jana Howard, Tommy Leung, Katie Horn.

Others Participating: Barry Weisman representing Price Waterhouse Coopers, Albert Shifberg-Mencher representing California Society of Enrolled Agents, Dave Doerr representing Cal-Tax, Lenny Goldberg representing Children Now, Gina Rodriguez representing Spidell Publishing, Richard E. V. Harris, Greg Turner representing Cal-Tax, Amy Silverstein representing Morrison and Foerster, Jeffrey M. Vesely representing Pillsbury Madison and Sutro, Dwayne M. Horii representing Rodriguez, Horri and Choi, William J. Hillstrom, Jr., representing Fremont General Corporation, and Charles Moll representing the Tax Section of the California State Bar.

Item 1. – Approval of Board Minutes

The minutes of the September 19, 2000, Franchise Tax Board meeting were unanimously approved.

Item 2. – Taxpayers' Bill of Rights Hearing

[Minutes of the Taxpayers' Bill of Rights Hearing are separate.]

Item 3. - Treatment of Interest Offset as a Result of Hunt-Wesson

The Board approved 2-0 (Ms. Porini abstaining) the proposed FTB Notice with staff technical amendments.

The Board heard from the following members of the public concerning treatment of Interest Offset as a result of *Hunt-Wesson*:

Greg Turner	Cal-Tax
Amy Silverstein	Morrison & Foerster
Dwayne Horii	Rodriguez, Horii & Choi
Jeffrey M. Vesely	Pillsbury Madison and Sutro
William J. Hillstrom, Jr.,	Fremont General Corporation
Lenny Goldberg	Children Now

Item 4. – Legislative Proposals

The Board voted 2-0 (Ms. Porini abstaining) to adopt the following proposals:

LP 01-02	Electronic Postmarks
LP 01-04	Minimum Franchise Tax Relief & Certification for Periods of Inactivity
LP 01-05	Penalty for Failure to File Upon Notice & Demand
LP 01-06	Modify Filing Requirement Threshold to Allow Exclusion of Gain on Sale of Principal Residence
LP 01-07	Full Payment
LP 01-08	Nonresident Taxation
LP 01-09	Manufacturers' Investment Credit Recapture Exception
LP 01-10	Disclosure of Return/Return Information for Administrative Personnel Matters
LP 01-11	Deficiency Definition/Eliminate Zero Balance NPAs For Credit Carryovers
LP 01-13	Change "Bank & Corporation Tax Law" to "Corporation Tax Law"
LP 01-15	Limited Partnership Tax Technical Change
LP 01-16	Usage of Tax Credit by Holders of Interests in Pass-Through Entities
LP 01-17	RAR Refund Statute
LP 01-18	Coordination of Minimum Tax Credit w/ Credits That Reduce Tax Below TMT
LP 01-20	Employer Hiring Credit/Qualified Employee Definition/Vouchering Requirement/Credit Certification
LP 01-21	Repeal of Interest Offset Provision/ <i>Hunt-Wesson</i> /Staff Proposal
LP 01-25	Changes in Withholding Formula Due to Legislative Enactment/Define When Formulas Are to be Changed
LP 01-26	AB 1843 Clean-Up to Eliminate Reference to "Income Year" in B&CTL
LP 01-29	Mergers and Acquisitions
LP 01-31	Expand Voluntary Disclosure Program to Trusts

The Board did not approve the following proposals:

LP 01-12	Unreported Installment Sale Income/Determination of Deficiency
LP 01-14	HRA Changes to Update Section References in R&TC Technical Change
LP 01-30	Res Judicata

The Board did not act on the following proposal:

LP 01-28	Interest Offset Provision/ <i>Hunt-Wesson</i> /Cal-Tax Proposal
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The Board heard from the following members of the public concerning the legislative proposals:

Gina Rodriguez
Dwayne Horii

Item 5. – Regulations Matters

a. 2001 Rulemaking Calendar

Upon motion of Member Andal, seconded by Chair Connell (Ms. Porini abstaining), the Board directed staff to proceed with Regulations Section 19032 – Audit Procedures, Section 18567 – Extensions, Section 19133 – Failure to File Penalty, Section 23334 – Tax Clearance, and Sections 23636 and 23637 – Joint Strike Fighter during the year 2001. Until these regulations are complete, Board approval must be obtained before any new additional regulation projects are pursued.

b. Discussion Draft Proposed Regulation 19504 (Audit Procedures)

The Board voted 2-0 (Ms. Porini abstaining) to approve the Resolution Regarding Proceeding with an Audit Procedures Regulation.

c. Proposed Regulations 17267.2-1 and 24356.7-1 (Recapture of Deduction for Qualified Property Previously Used)

The Board voted 2-0 (Ms. Porini abstaining) to adopt the proposed regulation.

d. Proposed Regulations 19041 and 19044 (Protests)

Upon motion of Member Andal, seconded by Chair Connell (Ms. Porini abstaining), the Board directed the Executive Officer to withdraw the original and the revised economic impact statements and submit a new Form 399 to the Secretary of State and Consumer Services stating that there will be no budgetary impact on the FTB or fiscal impact on the State. The Executive Officer was further directed to submit the revised Form 399 to the Secretary of State and Consumer Services by 5:00 o'clock, December 22, 2000.

Item 6. – Applications for Voluntary Disclosure

The Board unanimously approved the anonymous Applications for Voluntary Disclosure pursuant to Revenue and Taxation Code section 19191.

Item 7. – Child Support

Mr. Gerald Goldberg told the Board that staff has identified and qualified seven potential vendor-partners to develop the statewide automated system: American Management Systems, Accenture, Deloitte Consulting, EDS, IBM, TRW, and UNISYS.

Item 8. – Administrative Matters

a. BCP for Elimination of Student Loan Collections program.

The Board voted 2-0 (Ms. Porini abstaining) to approve the elimination of the Student Loan Collections program.

b. Contract for Approval: City Business License Information

The Board voted 2-0 (Ms. Porini abstaining) to approve the City Business License Information Contract.

Item 9. – Executive Officer’s Performance Evaluation Report

The Board accepted the written report.

Item 10. – Executive Officer’s Time

Mr. Goldberg had no items for discussion.

Item 11. – Board Members’ Time

The Board unanimously approved all Employee Recognition Resolutions.
(Gary Andrew, Mitsue Bartlett, Terry Bodmer, Marlene Boydston, Alyce Cervantes, Beverly Challe, Henry Chavez, Susan Depree, Richard Draffin, Anna Marie Fierro, Shirley Haynes, Molly Hillis, Loren Hornbeck, Elmer Littlejohn, Barri Lyon, Dennis Mar, Linda Marks, Tresa McBride, Charlotte Miles, Elaine Nakahara, Frances Popovich, William Puccinelli, Bienvenido Rarang, Vonda Saindon, James Schlien, Jon Schmitt, Steve Schrader, Rosalee Shelton, Raymond Skelly, Karin Svensson, Sandra Thomas, Teresa Tillman, Joan Woodall)

Item 12. – Chair Announcement Regarding Closed Session

Chair Connell announced the agenda for the Closed Session pursuant to Government Code section 11126.3.

The meeting adjourned at 3:20 p.m.

Board Secretary

Date